

Message Text

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AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: ENRG, BG

SUBJECT: PETROLEUM EXPLORATION: FURTHER SLIPPAGE

REF: A. DACCA 4587 B. DACCA 3813 C. DACCA 4821

SUMMARY- INITIATION FINAL ROUND NEGOTIATIONS OIL EXPLORATION BANGLADESH DELAYED UNTIL MID-DECEMBER, AS 1) MODEL PRODUCTION-SHARING CONTRACT NOT YET FINALIZED AND DISTRUBUTED TO CANDIDATE COMPANIES; 2) FIELD OF APPLICANTS RE-EXPANDED BY BDG FROM 13 OR 14 TO OVER 30, THOUGH THIS MAY BE BARGAINING DEVICE; AND 3) JAPANESE INVITED INTO COMPETITION BY BD PRIME MINISTER. ON OTHER HAND, NO NEW PROPOSALS (OUTSIDE OF JAPANESE) REPORTEDLY TO BE ACCEPTED. ALSO PLANNED TOUR BY NATURAL RESOURCES MINISTER OF OVERSEAS OIL EXPLORATION OPERATIONS NOW POSTPONED UNTIL AFTER AWARDS MADE.

1. ACCORDING HEDAYET AHMED, ADDITIONAL SECRETARY/MINERAL RESOURCES, FINAL DETAILED NEGOTIATIONS WITH CANDIDATE FOREIGN ORGANIZATIONS PROPOSING TO EXPLORE FOR OIL IN BANGLADESH HAVE AGAIN BEEN DELAYED, FROM MID- OR LATE-
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NOVEMBER (REF A) TO MID-DECEMBER. COMPANIES WILL BE

NOTIFIED DIRECTLY TO COME FORWARD FOR DEFINITIVE TALKS. HOPEFULLY SOMEWHAT IN ADVANCE, EACH WILL BE SENT A COPY OF MODEL PRODUCTION-SHARING CONTRACT WITHIN FRAMEWORK OF WHICH VARIOUS PROPOSALS ARE TO BE RE-WORKED AND RE-SUBMITTED. AHMED OFFERED TO ROUTE COPY OF MODEL CONTRACT WHEN FINALIZED TO EMBASSY, AND WE WILL TRANSMIT DUPLICATES TO U.S. COMPANIES AS NECESSARY AND APPROPRIATE.

2. MODEL CONTRACT NOW GOES BEFORE CABINET SUBCOMMITTEE FOR APPROVAL AND THEN FULL CABINET AND PRIME MINISTER MUJIBUR RAHMAN. AHMED AWARE OTHER COUNTRIES IN AREA ARE SEEKING TO EXPEDITE FINAL DECISION ON OIL EXPLORATION PROPOSALS BEFORE THEM. WELL AWARE ALSO OF NECESSITY FOR BANGLADESH TO MOVE FAST IF IT IS TO BE ABLE TO DRAW ON BEST EXPLORATION RESOURCES THAT MAY BE AVAILABLE. AHMED REMAINS CONCERNED ABOUT SENSE OF URGENCY IN CABINET, ABILITY TO FOCUS ON COMPLEX ISSUE, AND WILLINGNESS TO COME TO CLEAR RECOMMENDATION FOR PRIME MINISTER. MUJIB HOWEVER HAS GOTTEN INTERESTED IN PROCESS AND REPORTEDLY WANTS EARLY DECISION.

3. IN PRESS INTERVIEW NOV 6, NATURAL RESOURCES MINISTER MOFIZ CHOWDHURY DISCLOSED THAT BDG HAD MORE THAN 30 PROPOSALS NOW UNDER STUDY - FROM YUGOSLAVIA, ROMANIA, AND JAPAN, AS WELL AS U.S., CANADA, AND FRANCE. QUESTIONED ON APPARENT RESUCITATION OF WIDE NUMBER OF ORIGINAL PROPOSALS AND SLIPPAGE FROM NARROWING-DOWN OF THEM TO 13/14 LAST AUGUST (REF B), AHMED CONFIRMED THAT YUGOSLAVIA AND ROMANIA NOW BACK IN PICTURE. TWO JAPANESE COMPANIES HAD PREVIOUSLY EXPRESSED INTEREST, BUT ONE WITHDREW ITS PROPOSAL AND THE OTHER DID NOT PUSH HARD. NOW HOWEVER AS RESULT MUJIB'S VISIT TO JAPAN AND TALK WITH PRIME MINISTER TANAKA (REF C), JAPANESE PETROLEUM DEVELOPMENT CORP. (JPDC) IS TO DO A PRELIMINARY SURVEY. TWO-MAN TEAM ARRIVED NOV 9 FOR WEEKS'S VISIT. PRESS SPEAKS CLEARLY OF OIL EXPLORATION PROPOSAL, BUT AHMED INSISTED HE DID NOT KNOW WHETHER JPDC WOULD FILE ONE, OFFER TO DO GENERAL SURVEY, OR PROPOSE SERVING AS ADVISOR TO BDG. IN ANY EVENT, ADVENT OF THIS NEW MAJOR FORCE IN OIL PICTURE MAY LEAD TO FURTHER DELAY IN BDG AWARD EXPLORATION AREAS.

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4. ASKED WHAT HAD HAPPENED TO PREVIOUS NARROWED-DOWN FIELD OF 13/14, AHMED WAS SOMEWHAT GUARDED BUT INDICATED THAT PERHAPS THAT NUMBER WOULD BE SELECTED BY BDG FOR FINAL NEGOTIATIONS. WE SPECULATE THAT RE-EXPANSION OF NUMBER OF PROPOSALS UNDER ACTIVE CONSIDERATION MAY BE SIMPLY A BARGAINING DEVICE BY MINISTRY INTENDED TO STIMULATE ALL CANDIDATES TO COME FORWARD WITH VERY BEST PROPOSALS BEFORE MID-DEC WHEN ACTUALLY BDG MORE OR LESS HAD DECIDED ON

COMPANIES WHICH IT WILL ULTIMATELY BE NEGOTIATING IN FINAL ROUND. AHMED STRESSED SELECTION IN HANDS OF MINISTER.

5. ON OTHER HAND, AHMED DID CONFIRM THAT PETROLEUM LAW AND REGULATIONS HAVE BEEN FINALIZED.

6. HE WENT ON TO STATE THAT BRAND NEW PROPOSALS (OUTSIDE OF POSSIBLE ONE FROM JAPANESE) WOULD NO LONGER BE CONSIDERED. REPORTED CHEVRON HAD SUBMITTED ONE BUT IT WAS "TOO LATE"; THE COMPANY HAS NOT YET BEEN SO INFORMED. WE LEARNED THAT BELATEDLY SHELL OF U.K. ALSO PUT IN A BID, WHICH WILL NOT BE CONSIDERED.

7. QUESTIONED ABOUT WHETHER BDG WOULD BE INTERESTED IN TAKING ON A CONSULTANT TO HELP EVALUATE THE PROPOSALS ETC., AHMED RESPONDED IT WAS NOT. A CANADIAN FIRM PROPOSED REVIEWING THE CAPABILITIES OF THE VARIOUS CANADIAN CONTESTANTS TO EXPLORE FOR OIL; ACCORDING TO AHMED, OFFER WAS TURNED DOWN.

8. FINALLY, WITH A VIEW TO SPEEDING UP DECISION ON EXPLORATION AWARDS, AHMED REPORTED THAT LONG-PLANNED TRIP ABROAD BY MINISTER AND OTHERS TO INSPECT ACTUAL OIL EXPLORATION OPERATIONS HAS BEEN POSTPONED UNTIL AFTER RATHER THAN BEFORE THE AWARDS ARE MADE. INVITATIONS HAVE BEEN RECEIVED FROM FRANCE, CANADA AND INDONESIA; VARIOUS AMERICAN COMPANIES HAVE ALSO EXPRESSED INTEREST IN SHOWING THE MINISTER AROUND. TOUR MAY NOW NOT TAKE PLACE UNTIL NEXT SPRING.

9. REGARDING SMALL OVERLAP OF BANGLADESH OFFSHORE AREA WITH THAT OF INDIA AND MUCH LARGER ONE WITH THAT OF BURMA, AHMED CONFIRMED THAT BDG WOULD BE TAKING UP ISSUE WITH GOVERNMENTS LIMITED OFFICIAL USE

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OF INDIA AND BURMA. IF NO AGREEMENT REACHED, BDG WILL EXCLUDE DISPUTED AREAS FROM ALLOCATION UNTIL MATTER RESOLVED.

10. FOREGOING MAY BE SHARED WITH INTERESTED U.S. OIL COMPANIES, ON USUAL CONFIDENTIAL BASIS. DEPT REQUESTED TO BRIEF JIM ROTH, PRESIDENT, CARLSBERG PETROLEUM (TEL 213-277-4876) AND RICHARD D. STEWART, GEOLOGIST, UNION OIL OF CALIFORNIA (TEL 213-486-6335) AND EMBASSY SINGAPORE, ELSTON OF ATLANTIC RICHFIELD, ALL OF WHOM RECENTLY IN DACCA AND REPORTED TO US THEY GOT SOMEWHAT DIFFERENT STORY FROM BDG. DEPT ASKED ALSO, AT ITS DISCRETION, TO BRIEF CHEVRON; COMPANY HAS HAD NO CONTACT WITH EMBASSY. NEWBERRY

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